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Subject: **OIOS Assignment No. AF2003/21/1: UNOHCI liquidation – Liquidation planning**

1. OIOS conducted a review of the liquidation planning within the United Nations Office of the Humanitarian Coordinator for Iraq (UNOHCI or the Mission) to determine the efficiency and effectiveness of the Mission's liquidation process and to assess the progress of the remaining tasks to be completed. The audit involved a review of work programmes, distribution of responsibilities, and the follow-up of liquidation tasks within the Mission, as well as interviews with UNOHCI officials.

2. Overall, OIOS found that UNOHCI had adequately planned its administrative liquidation activities. However, implementation progress was slow, which was attributed to the fact that most of the initial assumptions in developing the exit strategy have been overtaken by events beyond the Mission's control. Furthermore, the withdrawal of the United Nations international staff from Iraq and the relocation of core administrative functions to adjacent locations had negatively impacted the management of the liquidation process. However, the phase-down and closure deadline of 21 November 2003 remains irrevocable and compels the administration to constantly revise its liquidation plans for an orderly closure and transfer of assets and responsibilities to the Coalition Provisional Authority (CPA).

3. OIOS' findings are summarized in the following paragraphs. We would appreciate receiving your comments concerning the recommendations by 21 November 2003.

Background

4. By the end of March 2003, subsequent to UNSECOORD's declaration of the evacuation status in the mission area, UNOHCI headquarters had been temporary relocated to Larnaca, Cyprus. Simultaneously, the Humanitarian Coordination Office - an emergency coordinating administrative structure, also known as the United Nations Cyprus Hub, was set up for UNOHCI international staff, as well as for other United Nations' agencies. The cost-sharing arrangements functioned under the United Nations Cyprus Hub until 15 July 2003 when it was formally liquidated.

5. During late April 2003, the Humanitarian Coordinator for Iraq developed a new concept of operations for the humanitarian programme resulting in an expansion of the Mission's presence in Iraq, in addition to the four offices that operated prior to the commencement of the war in March 2003. This new concept of operations entailed additional administrative and logistical resources for the administration.

6. On 22 May 2003, Security Council resolution (SCR) 1483 requested the Secretary-General to terminate by 21 November 2003 the ongoing operations of the Oil-for-Food Programme, both at headquarters level and in the field, and to transfer responsibility for the administration of any remaining activity under the Programme to the CPA. During the month of June 2003, most of the UNOHCI administrative staff returned to Iraq and started the tasks of winding down the Mission in accordance with the SCR 1483 (2003).

7. Following the events of 19 August 2003 and the deteriorating security situation in Iraq, core UNOHCI administrative staff was again relocated to Larnaca, Cyprus, to continue with the Mission's winding down and liquidation exercise. At the date of the audit, all international staff had been withdrawn from Iraq.

Liquidation Management

8. Upon conclusion of their mandates, field missions are liquidated in two phases; (i) the physical closure of the mission in its operational area; and (ii) the completion of residual liquidation tasks at United Nations Headquarters. The completion of residual tasks at Headquarters is determined to a large extent by how well the mission's administrative functions were managed during its operational phase. UNOHCI has been provided with financial resources in the field until the end of December 2003 and at Headquarters until the end of March 2004, to meet administrative support requirements for the completion of liquidation.

9. The Field Mission Liquidation Manual (FMLM) sets out the basic organization and procedures for the liquidation process. Chapter 1 of the manual portrays the basic mechanisms which should be employed by a mission to coordinate the tasks associated with the liquidation. Accordingly, the Chief Administrative Officer (CAO), being responsible for all practical issues related to the development and implementation of the plan, prepares and executes the liquidation plan.

10. Furthermore, a prerequisite for a successful liquidation requires that the substantive and administrative components of the mission work together at the highest level. This coordination is ensured through the Liquidation Task Force (LTF) – a policy-making body of senior mission officials established by the Head of Mission to function as a steering committee to guide the liquidation process. Nevertheless, a flexible approach is recommended to suit specific needs and factor in changing circumstances, and the Head of Mission should use the LTF to ensure that liquidation planning is carried out in coordination with the exit strategy.

11. The OIOS review found that no LTF had been established at any stage of the liquidation process. Following SCR 1483 (2003), the Mission prepared the withdrawal table for all personnel categories and submitted same to the Office of the Iraq Programme (OIP) on 6 June 2003. As previously reported by the OIOS (AF2003/21/2), the initial planning assumptions were not agreed upon between the administrative and the programme components. As a consequence, downsizing plans have been independently prepared without discernable functional links between the components. OIOS believes that through an effective LTF, a more vigorous involvement of the programme component would have been achieved and any shortcomings would have been minimized.

Recommendations 1 and 2

UNOHCI should:

- (i) Take steps to develop, for the remaining period of the liquidation, a comprehensive plan of action which encompasses and links the plans and activities of all the Mission's components, both programme and administrative (AF03/21/1/001); and
- (ii) Establish a Liquidation Task Force including all components of the Mission, to function as a steering committee of senior officials to guide the remaining liquidation process (AF03/21/1/002).

Liquidation Team structure

12. According to the FMLM, the CAO is assisted in discharging his responsibilities by the Liquidation Team, which is in charge of the detailed planning and implementation of the liquidation plan. The Mission's Liquidation Team is to be headed by the Liquidation Coordinator, a designated senior official from the administration serving as focal point for all administrative liquidation matters.

13. The Master Liquidation Plan was outlined in the CAO's "Memorandum of Instruction" dated 16 June 2003. The Memorandum spelled out the strategies for carrying out the activities related to winding down and liquidation, with a clear indication of the tasks to be performed, as well as the time frame and responsibilities for those tasks. A complementary Memorandum of Instruction was released on 3 July 2003. In addition to a Liquidation Coordinator, to facilitate achieving the liquidation deadlines, two coordinating administrative structures were set up as follows: Administrative Services (AS) and Integrated Support Services (ISS).

14. The OIOS review found that job descriptions and terms of reference were prepared for each member of the liquidation team, including the chiefs of AS and ISS, respectively, and that

membership responsibilities were clearly linked to the liquidation tasks. The Mission's administration also successfully managed to re-prioritize its plans and tasks in a timely manner through a subsequent addendum to the Master Liquidation Plan dated 17 September 2003, with a view to setting a more realistic schedule and adjusting the "assets disposal plans" accordingly.

15. It was also found that the synergies between the newly created service structures and the Mission's administrative sections were not geared to the desired coordination and outcomes. Furthermore, the Chief of ISS has been on medical evacuation and a substitute was not available. Therefore, the Mission's administration took steps to reconfigure the organizational arrangements and a Liquidation Support Cell of seven members was set up on 15 September 2003. Its main activities related to coordinating and disseminating information to all parties involved in the liquidation effort, as well as preparing reports to assist the Liquidation Coordinator in discharging his responsibilities. Efforts should therefore be focused on the Liquidation Support Cell to enhance proper liquidation oversight.

16. OIOS acknowledges the quality of guidance and leadership provided by the CAO during the liquidation period, in the light of the human resource constraints, (both in terms of quantity and quality), and the extraordinary circumstances that required conducting the liquidation process from remote locations.

Recommendations 3 and 4

UNOHCI should:

- (i) Discontinue with immediate effect the administrative arrangements related to Administrative Services and Integrated Support Services, respectively (AF03/21/1/003); and
- (ii) Take steps to complete the technical liquidation tasks by the end of November 2003 and the residual tasks by 31 December to minimize liquidation work required by Headquarters (AF03/21/1/004).

Implementation and monitoring of the plan

17. According to the "Memorandum of Instruction" on winding down and liquidation, dated 16 June 2003, the UNOHCI support sections should submit weekly progress reports to the Liquidation Coordinator. The consolidated Weekly Implementation Report was designed to give the Liquidation Team a tool to track and measure the liquidation progress of all stakeholders and for reporting to the CAO and to DPKO.

18. The review found that the all major administrative tasks had been properly identified and reflected in the Weekly Implementation Report, including time frames and associated responsibilities. The Report was intended to provide a weekly tracking platform of the liquidation progress, but only three reports have been prepared to date: 23 July, 9 August and 16 October 2003. However, the Liquidation Team held regular meetings, which proved to be an effective monitoring tool.

19. Furthermore, the review found that the quality of reported information varied from one section to another. For example, the Finance and Procurement Sections' reports did not provide clear metrics and measurements for the liquidation progress during reporting periods. The General Services Section reported the same action/progress in all three reports, while the Communication and Information Technology Section did not report any liquidation related action in the last Weekly Implementation Report. Furthermore, the current use of ambiguous terminology on reporting liquidation progress, such as "would be reviewed", "would coordinate", "would be considered", "would be completed", and "would be undertaken" provided inadequate scope for management monitoring.

20. The Weekly Implementation Report's effectiveness as a management tool would be improved if the Mission's administration takes steps to quantify the outstanding liquidation tasks and schedule their completion in order of priority. In OIOS's view, the monitoring of the liquidation process should include key performance indicators (KPIs) against which the overall performance of liquidation activities can be measured. For example, KPIs could include activities' expected versus actual commencement dates, implementation rates and activity-related delays. This would be more informative than the largely factual based approach currently utilized.

21. It is also important that the Mission verifies the accuracy of its asset and liability balances. In order to be more transparent, procedures should be established to report the status of liquidating missions' assets and liabilities at regular intervals, bearing in mind that an entity in liquidation ceases to be a "going concern" for accounting and reporting purposes. Any revisions to the established starting point of asset and liability balances should be approved by the CAO.

Recommendations 4, 5, 6, 7 and 8

UNOHCI should:

- (i) Take steps to quantify the outstanding liquidation tasks and schedule their completion in order of priority (AF03/21/1/004);
- (ii) Develop key performance indicators as a tool to monitor the liquidation progress (AF03/21/1/005);

(iii) Develop a liquidation tracking platform in a "Gantt chart" format, indicating the itemized liquidation tasks, the duration of each task, and the milestones against which progress can be measured (AF03/21/1/006);

(iv) Ensure that asset and liability balances are reviewed before assets are disposed of and liabilities discharged. Such an exercise should include a thorough review of the documentation in support of the assets and liabilities as reflected in the financial statements (AF03/21/1/007); and

(v) Ensure that comprehensive hand over notes and support documentation are maintained for all outstanding cases referred to Headquarters (AF03/21/1/008).

Records management

22. OIOS also conducted a review of the Archives Unit to verify that the mandatory archiving and disposal tasks are in accordance with the Mission Records Retention Schedule. The review focused on the internal controls instituted over (i) completeness of the archive universe, (ii) records categorization, and (iii) retrieval of the accumulated records.

23. The Head of Mission outlined the records management strategy in his memo "UNOHCI Records Management and Archiving Instructions" dated 19 June 2003. Furthermore, the CAO, through an administrative instruction dated 1 July 2003, translated this strategy into operational steps, spelled out archiving and disposal tasks, work responsibilities and deadlines.

24. According to the latest progress report dated 1 November 2003, the Archives Unit reported that 168 boxes have been archived and some 400,000 pages of records scanned. The OIOS review could not identify a baseline indicating the total number of the Mission's records to be transferred to the Archives Unit. In the absence of any indication of the archive universe, no determination could be made of the outstanding records to be archived.

25. The CAO's instruction dated 1 July 2003 identified 15 sections/units that should submit records to the Archives Unit. The key document for all transfers to the Archives Units is the "Request Forms for Scanning or Transfer of Inactive Lists and the Archives Transfer Lists". Provided the required information is properly filled in, the transfer lists ensure an adequate audit trail, including a reasonable determination of the archive universe. Since a duly authorized official should certify the retention action in due course, the transfer lists also represent the key documents for the preparation of accession lists, for retrieval purposes. However, an audit trail was not easily available, since only eight sections/units submitted, on a piecemeal basis, records covering the period from 1990 to 2002. The quality of submission also significantly varied from one section to another. Consequently, the absence of baseline data or any consideration for accumulating such data made an

assessment of the archiving activities impractical. It was also noted that the General Services Section has not submitted any record to the Archives Unit. Some "Claims Review Board" and "Local Property Survey Board" related records have only recently been recovered by the assets inspection team.

26. As of the review date, scanning operations have not yet resumed. Consequent to the attack on the Mission's headquarters in Baghdad, the Archives Unit lost some 200,000 pages of scanned records. Since no backup or recovery procedures were in place, the records should be scanned again, although it is not clear how the Archives Unit intends to address this backlog.

Recommendations 9 and 10

UNOHCI should:

- (i) Ensure that the "records transfer lists" are accurately filled in and updated by all sections and units in order to determine the archive universe and to adequately report the progress on archiving activities (AF03/21/1/009); and
- (ii) Prepare a separate archiving plan of action that covers all scanning operations, including those for the lost records (AF03/21/1/009).

27. I take this opportunity to thank the management and staff of UNOHCI for the assistance and cooperation provided to the auditors in connection with this audit segment.

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